



Executive Summary

of Investment Performance

**Prepared for
California Public Employees'
Retirement System**

Second Quarter 2005

Capital Market Overview

- ◆ During the second quarter of 2005, there was a slight increase in U.S. equity markets but the markets still frustrated investors due to consistently changing oil prices, continued inflation worries and a slowdown in growth in global economies. The Federal Reserve continued to monitor inflationary pressures and increased the discount rate on two separate occasions to a quarter-end rate of 3.25%. The increase in the U.S. equity markets was broad-based, as the Dow Jones Wilshire 5000 Index and S&P 500 Index showed quarter-end returns of 2.3% and 1.4% respectively. Within the Dow Jones 5000 GICS sectors, the Utility sector was the top performing sector with a return of 9.4% while the Materials sector was the worst performing sector with a return of -8.5%. Large value-oriented stocks outperformed large growth-oriented issues (Wilshire Large Value Index, 2.2%; Wilshire Large Growth Index, 0.9%) and small value had a higher return than small growth (Wilshire Small Value Index, 4.2%; Wilshire Small Growth Index, 3.7%). Micro-cap stocks had positive returns with a 1.4% quarterly return.
- ◆ Non-U.S. equity markets for the most part outperformed U.S. markets when denominated in local currency, but the U.S. dollar continued its calendar year appreciation against most world currencies, causing foreign market returns to be lower when converted to U.S. dollar terms. The MSCI ACWI ex-US return was essentially flat in USD terms, but 4.7% in local terms. Europe continued to outpace the Pacific-Basin (MSCI Europe Index, -0.8% USD, 5.9% local; MSCI Pacific Index, -1.4% USD, 1.5% local). Emerging markets continued to keep track on a local basis with developed markets, and their currencies have not had the same depreciation rate that Europe and Japan did (MSCI EMF Index, 4.2% USD, 4.5% local; MSCI EAFE Index, -1.0% USD, 4.6% local). High yield bonds lagged investment grade issues, with the Citigroup High Yield Cash Pay Index reporting a 2.4% return.
- ◆ For the fourth consecutive quarter, the Federal Reserve raised the discount rate, to 3.25%, to keep inflation in check. The Lehman Aggregate Bond Index increased during the quarter, returning 3.0%. Among the Lehman sectors, the Credit sector outperformed the Mortgage sector for the quarter, returning 3.6%, versus 2.3%, respectively. Longer-term treasuries continued to outpace shorter-term issues (Citigroup Global markets Long Treasury, 7.7%; CGM 1-3 Year Treasury, 1.1%). The international bond markets lagged the U.S. bond market as the Citigroup Non-US Government Bond Index generated a return of -2.7% during the quarter.
- ◆ The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), significantly increased and posted a return of 14.2% for the quarter. From the period July 2004 to June 2005, the real estate securities asset class been the best performing with a one-year return of 34.3%.



Summary of Index Returns

For Periods Ended June 30, 2005

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	1.36%	6.30%	8.27%	-2.38%	9.94%
Dow Jones Wilshire 5000	2.32	8.21	9.94	-1.28	9.96
Dow Jones Wilshire 4500	5.42	13.49	15.69	1.59	10.41
Wilshire Large Cap 750	1.59	6.79	8.75	-2.52	9.79
Wilshire Small Cap 1750	3.93	10.69	14.58	5.43	11.10
Wilshire Micro Cap 2500	1.38	4.52	23.50	15.18	16.65
Domestic Equity					
Wilshire Large Value	2.19%	13.33%	11.28%	4.76%	10.77%
Wilshire Large Growth	0.90	0.14	6.08	-10.65	7.55
Wilshire Mid Value	4.57	18.44	17.87	16.69	15.18
Wilshire Mid Growth	3.41	12.68	15.17	-3.34	9.70
Wilshire Small Value	4.17	14.60	16.10	16.32	13.85
Wilshire Small Growth	3.66	6.74	13.01	-7.02	6.15
International Equity					
MSCI All World ex U.S.	-0.01%	16.95%	14.08%	0.76%	5.81%
MSCI EAFE	-1.01	13.65	12.06	-0.55	5.22
MSCI Europe	-0.84	16.87	12.60	0.61	9.17
MSCI Pacific	-1.40	6.65	10.81	-3.11	-0.38
MSCI EMF Index	4.24	34.88	24.42	7.68	4.28
Domestic Fixed Income					
Lehman Aggregate Bond	3.01%	6.81%	5.76%	7.41%	6.83%
Lehman Credit	3.57	8.15	7.75	8.59	7.28
Lehman Mortgage	2.28	6.14	4.67	6.82	6.69
Lehman Treasury	3.63	7.05	5.64	7.03	6.63
Citigroup High Yield Cash Pay	2.42	10.20	14.80	8.28	7.46
91-Day Treasury Bill	0.72	2.15	1.55	2.62	3.98
International Fixed Income					
Citigroup World Gov. Bond	-1.43%	7.62%	9.84%	7.92%	5.51%
Citigroup Non-U.S. Gov. Bond	-2.69	7.74	10.98	7.92	4.77
Citigroup Hedged Non-U.S. Gov.	3.17	9.22	5.49	5.98	7.86
Currency*					
Euro vs. \$	-6.85%	-0.49%	7.02%	4.78%	--
Yen vs. \$	-3.47	-1.53	2.65	-0.92	-2.63
Pound vs. \$	-5.14	-1.16	5.55	3.44	1.21
Real Estate					
Dow Jones Wilshire REIT Index	15.22%	34.14%	20.96%	20.86%	15.57%
Dow Jones Wilshire RESI	14.18	34.32	21.40	20.45	15.31
NCREIF Property Index	5.34	18.02	12.08	10.63	11.37

*Positive values indicate dollar depreciation.



Total Fund Review Periods Ended 6/30/05

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
TOTAL FUND	\$189.9 bil.	3.0%	12.3%	10.7%	3.4%	9.3%
<i>Total Fund Policy Index ¹</i>		2.5%	11.4%	10.1%	2.8%	8.7%
<i>Actuarial Rate</i>		1.9%	7.8%	7.9%	8.0%	8.2%
<i>TUCS Public Fund Median</i>		2.3%	9.4%	9.5%	3.5%	9.0%
<i>Wilshire Large Fund Universe Median ²</i>		2.8%	12.7%	10.7%	3.5%	9.5%
TOTAL EQUITY ³	127.1	2.5%	11.5%	10.2%	-0.6%	9.5%
<i>Equity Policy Index ⁴</i>		1.7%	10.7%	10.0%	-1.3%	8.6%
<i>TUCS Equity Median ⁵</i>		2.5%	8.7%	10.2%	1.6%	11.2%
TOTAL FIXED INCOME ⁶	49.1	3.4%	10.8%	9.9%	9.3%	7.8%
<i>Fixed Income Policy Index ⁷</i>		3.8%	11.0%	8.7%	8.9%	7.4%
<i>TUCS Fixed Income Median</i>		2.9%	7.2%	6.5%	7.8%	7.3%
TOTAL REAL ESTATE ⁸	11.0	8.5%	30.2%	15.6%	14.3%	13.0%
<i>NCREIF Property Index Lagged</i>		3.5%	15.6%	10.7%	10.2%	11.0%
<i>TUCS Real Estate Median</i>		4.6%	18.8%	12.9%	10.6%	11.6%
CASH EQUIVALENTS	2.6	0.8%	2.2%	1.7%	3.0%	4.4%
<i>Custom STIF ⁹</i>		0.7%	2.0%	1.5%	2.6%	4.0%

¹ The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

² These returns represent preliminary numbers.

³ Includes domestic equity, international equity, alternative investments, corporate governance, and ventures.

⁴ The Equity Policy Index return equals the benchmark returns for the domestic equity, international equity, and alternative investment segments weighted at policy allocation target percentages.

⁵ Includes domestic and international equity.

⁶ The Total Fixed Income Composite does not include LM Capital. LM Capital will be mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁷ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁸ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁹ The Custom STIF Policy Index is a custom index maintained by SSgA.



Total Fund Review (continued)

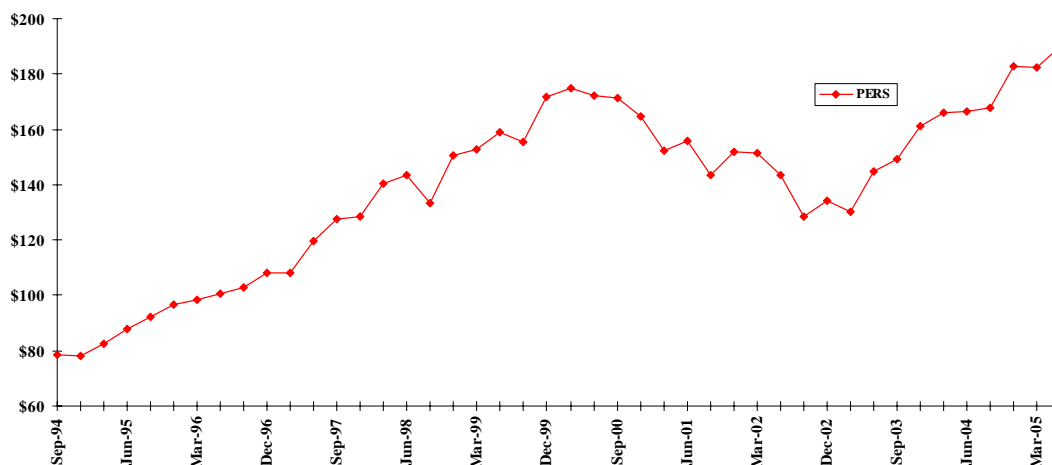
Periods Ended 6/30/05

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
2Q2005	182,234	73	-244	7,448	189,853	3.0%

Historical Growth of Assets

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Market Value (\$bil)	96.8	108.1	128.3	150.5	171.7	164.6	151.8	134.1	161.1	182.9	189.9



Asset Allocation

Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Difference</u>
Equities	66.9%	66.0%	+0.9%
Fixed Income	26.0	26.0	0.0
Real Estate	5.8	8.0	-2.2
Cash Equivalents	1.3	0.0	+1.3

CalPERS Historical Asset Allocation

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
% Equity	67	68	68	62	63	64	70	69	66	62	57
% Fixed Income	26	24	24	28	27	29	24	26	28	31	36
% Real Estate	6	6	7	9	9	6	5	4	5	6	6
% Cash Equiv.	1	1	1	1	1	1	1	1	1	1	1



California Public Employees' Ret. System
Total Fund Attribution
Total Composite
Quarter Ended 06/30/05

Composite	Allocation			Returns			Total Fund Return Contribution			
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Mgmt (%)	Weighted Return (%)
Total Equity	66.0	67.9	1.9	1.7	2.5	0.8	1.1	0.0	0.5	1.7
U.S. Equity	40.0	39.2	-0.8	2.3	2.3	0.0	0.9	0.0	0.0	0.8
Internal Managers	32.7	32.7	0.0	2.3	2.3	0.0	0.8	0.0	0.0	0.7
U.S. Mainstream Managers	3.5	3.5	0.0	2.7	2.2	-0.5	0.1	0.0	0.0	0.1
U.S. Enhanced Index	1.9	1.9	0.0	1.8	1.9	0.1	0.0	0.0	0.0	0.0
U.S. Mgr. Development	1.0	1.0	0.0	2.8	2.9	0.1	0.0	0.0	0.0	0.0
RM ARS Program	0.5	0.5	0.0	2.0	1.6	-0.4	0.0	0.0	0.0	0.0
Corporate Governance	1.4	1.4	0.0	0.4	5.8	5.4	0.0	0.0	0.1	0.1
U.S. Corp. Governance	0.6	0.6	0.0	1.7	7.0	5.3	0.0	0.0	0.0	0.0
Int'l Corp. Governance	0.8	0.8	0.0	-0.5	4.8	5.3	0.0	0.0	0.0	0.0
Non-U.S. Equity	20.0	22.0	2.0	0.2	1.4	1.2	0.0	0.0	0.3	0.3
Int'l Mainstream Managers	3.2	3.2	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Int'l Mgr. Development	0.4	0.4	0.0	-0.3	0.6	0.9	0.0	0.0	0.0	0.0
Int'l Emerging Markets	2.0	2.0	0.0	4.2	3.7	-0.5	0.1	0.0	0.0	0.1
Passive Int'l	16.4	16.4	0.0	-0.6	-0.6	0.0	-0.1	0.0	0.0	-0.1
Currency Overlay	0.0	0.0	0.0	0.2	-0.3	-0.5			0.0	0.0
AIM Program	6.0	4.7	-1.3	3.6	13.3	9.7	0.2	0.0	0.5	0.6
Total Fixed Income	26.0	25.0	-1.0	3.8	3.4	-0.4	1.0	0.0	-0.1	0.8
U.S. Fixed Income	23.0	21.8	-1.2	4.7	4.2	-0.5	1.1	0.0	-0.1	0.8
Internal U.S. Bonds	19.6	19.6	0.0	4.7	4.3	-0.4	0.9	0.0	-0.1	0.8
Special Investments	0.9	0.9	0.0	4.7	2.8	-1.9	0.0	0.0	0.0	0.0
Opportunistic	1.2	1.2	0.0	2.5	3.4	0.9	0.0	0.0	0.0	0.0
Non-U.S. Fixed Income	3.0	3.2	0.2	-2.6	-2.1	0.5	-0.1	0.0	0.0	-0.1
Real Estate	8.0	6.1	-1.9	3.5	8.5	5.0	0.3	0.0	0.3	0.5
Cash Equivalents	0.0	1.0	1.0	0.7	0.8	0.1	0.0	0.0	0.0	0.0
Total Fund	100.0	100.0	0.0	2.5	3.0	0.5	2.5	-0.1	0.6	3.0

Composite	Indices	Composite	Indices
Total Equity	PERS TOTAL EQUITY POLICY	Non-U.S. Equity (continued)	
U.S. Equity Composite	PERS Wilshire 2500	Int'l Emerging Markets	Custom Benchmark
Internal Managers	PERS Wilshire 2500	Passive Int'l	Custom Benchmark
U.S. Mainstream Mgrs	Custom Benchmark	Currency Overlay	Custom Benchmark
U.S. Enhanced Index	Custom Benchmark	AIM	PERS Wilshire 2500/CYFU Blend
U.S. Mgr Development	Custom Benchmark	Total Fixed Income	Policy Index
RM ARS Program	Custom Benchmark	U.S. Fixed Income Composite	Custom Benchmark
Corporate Governance	Custom Benchmark	Internal U.S. Bonds	Custom Benchmark
U.S. Corp. Governance	Custom Benchmark	Special Investments	Custom Benchmark
Int'l Corp. Governance	Custom Benchmark	Opportunistic	Citigroup High Yield Cash Pay
Non-U.S. Equity	Custom Benchmark	Non-U.S. Fixed Income	Custom Benchmark
Int'l Mainstream Mgrs	Custom Benchmark	Real Estate	NCREIF Property Index Lagged
Int'l Mgr. Development	Custom Benchmark	Cash	Custom STIF Net of Fees



Total Fund Review (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of +3.0%, for the quarter ended June 30, 2005. CalPERS' return can be attributed as follows:

+2.5% Strategic Policy Allocation
-0.1% Actual/Tactical Asset Allocation
+0.6% Active Management
+3.0% Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the index for that asset class.
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to US equity was lower than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and added to total fund performance).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The total fund composite outperformed its strategic policy due, in large part, to high value-added from active management in the AIM Program and the Real Estate segment. AIM was the best performing segment for the quarter. The System exceeded the weighted policy index return of +2.5% for the quarter, as well as over the long-term. In addition, the System has outpaced its actuarial rate of interest over the one-, three- and ten-year periods.
- ◆ CalPERS has made a significant effort to develop internal strategies and talent to add value to the System's investment portfolio. Many of these strategies have proven successful. However, several segments that have outperformed their respective benchmarks have added little value to the overall performance of the System due to their relatively small weights. For example, the Internal Domestic Enhanced Index Strategy has outperformed the PERS 2500 index by 2.8 percentage points over the past year but, due to the relatively small size of its allocation, has not added significant value to the overall investment program.



Total Fund Review (continued)

Helped Performance:

- ◆ **U.S. Bond Exposure:** Bond markets saw positive returns as yields fell during the quarter. Among the Lehman sectors, treasury bonds yielded the highest returns (Lehman Treasury, +3.6%), followed by credit (Lehman Credit, +3.6%). High yield bonds lagged investment grade issues this quarter as the Citigroup HY Cash Pay Index returned +2.4%. The System's domestic fixed income composite outperformed the total fund and the total fund policy and was especially helped by its exposure to corporate, Treasury, and sovereign bonds.
- ◆ **Corporate Governance:** The System's corporate governance program continued to produce solid returns on both an absolute and relative basis, as the majority of the external managers significantly outperformed their respective benchmarks. The corporate governance segment has yielded favorable contributions to the total fund performance since its inception.
- ◆ **AIM Program:** The alternative investments composite also contributed favorably to the total fund composite return over the quarter, as well as over the one year. The System's alternative investments are mostly young and the quarterly performance is not fully indicative of the program's future potential.
- ◆ **Real Estate Exposure:** The System's real estate segment, with a return of 8.5% for the quarter, exceeded the total fund policy's return of +2.5%, and the NCREIF Property Lagged Index return of +3.5%. This segment also benefited from its exposure to real estate securities, which produced double-digit returns during the quarter. The total fund composite continues to benefit from its exposure to real estate over all time periods.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's US equity asset class had positive returns for the quarter but underperformed the total fund and the total fund policy, as the US equity market in general lagged most of other asset classes over the period.
- ◆ **International Equity Exposure:** The System's non-US equity segment, as a whole, generated a return of +1.4% for the quarter. Though outperforming the asset class benchmark over the period, the PERS non-US equity composite trailed the total fund policy return of +2.5%. The depreciation of most major non-US dollar currencies hurt the relative performance of the segment versus their domestic counterparts.
- ◆ **International Fixed Income:** Like the international equity market, the international bond market was negatively affected by depreciating currencies. The overall market produced negative results, as the Citigroup Non-US Government Bond index fell by -2.7% during the quarter. CalPERS' international bond segment hindered the performance of the overall fund as it was the only asset class that produced a loss during the quarter.
- ◆ **RMS ARS Program:** The RMS ARS program underperformed the total fund policy index during the quarter, thus not helping the performance of the overall fund. It also underperformed the US equity segment, which was its funding source.



Total Equity Review

Periods Ended 6/30/05

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	39.4%	40.0%	-0.6 %
Non US Equities	21.9	20.0	+1.9
AIM	5.0	6.0	-1.0

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Equity ¹⁰	127.1	2.5%	11.5%	10.2%	-0.6%	9.5%
<i>Equity Policy Index</i> ¹¹		1.7%	10.7%	10.0%	-1.3%	8.6%
<i>Value Added</i>		0.8%	0.7%	0.2%	0.7%	0.9%
US Equity Composite	72.9	2.3%	7.3%	9.6%	-1.2%	10.1%
<i>PERS Wilshire 2500 Index</i>		2.3%	7.6%	9.5%	-1.7%	9.8%
<i>Value Added</i>		0.0%	-0.2%	0.1%	0.5%	0.3%
Non-US Equity Composite **	35.4	1.4%	17.5%	11.9%	0.1%	6.9%
<i>PERS SSgA Custom Index</i> ¹²		0.0%	16.9%	13.7%	0.5%	4.8%
<i>Value Added</i>		1.4%	0.6%	-1.8%	-0.4%	2.1%
RM ARS Program*	1.2	1.6%	8.4%	8.3%	-.-%	-.-%
<i>Policy Index</i> ¹³		2.0%	6.7%	8.8%	-.-%	-.-%
<i>Value Added</i>		-0.5%	1.7%	-0.5%	-.-%	-.-%
Corporate Governance*	2.9	5.8%	20.4%	17.8%	16.0%	-.-%
<i>Policy Index</i> ¹⁴		0.4%	9.0%	11.4%	1.1%	-.-%
<i>Value Added</i>		5.4%	11.4%	6.4%	14.9%	-.-%
AIM Program	9.4	13.3%	23.1%	7.5%	-0.1%	-.-%
<i>Policy Index</i> ¹⁵		3.6%	12.2%	2.6%	-5.4%	-.-%
<i>Value Added</i>		9.7%	11.1%	1.0%	5.3%	-.-%
<i>Long-Term Policy</i>						15.0%

Total Equity Review (continued)

¹⁰ Includes domestic equity, international equity, alternative investments, corporate governance, and ventures.

¹¹ The Equity Policy Index return equals the benchmark returns for domestic equity, international equity, and alternative investment segments weighted at policy allocation target percentages.

¹² The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹³ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

¹⁴ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

¹⁵ The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

* The US Equity & Non US Equity composites include the domestic and international corporate governance and RM ARS managers respectively

** The Non-US Equity Composite does not include the internal international equity index fund which had a market value of \$5.1 billion.



Comments Regarding Recent Equity Segment Performance

Helped Performance:

- ◆ **AIM Program:** The alternative investments program also added value for the equity segment over the quarter. Over the one and five-year periods, AIM has outperformed the total equity composite.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers continue to outperform the developed managers. CalPERS' emerging markets portfolio outperformed the total equity composite over both the quarter and one-year periods.
- ◆ **Corporate Governance:** The corporate governance program benefited from the outperformance of several managers. The gains from the program's international managers, especially Hermes Europe also contributed to the overall program's positive results.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio outperformed the total equity policy return for the quarter but has underperformed in the one-year period.
- ◆ **Total Domestic MDP:** The System's total domestic MDP managers outperformed the total equity policy this quarter, but have lagged over the one-year and three-year time periods.
- ◆ **Currency Overlay:** The systems currency overlay program added significant value to the equity program over the quarter and the one-year time period. The weighted average return for the combined overlay managers was +4.1% for the quarter and +14.4% for the one-year period.

Impeded Performance:

- ◆ **Internal PERS 2500:** The System's internal index fund detracted value relative to the total equity composite, +2.3% vs. +2.5% respectively. However, the fund's performance matched that of its custom benchmark.
- ◆ **Active External Mainstream managers:** The composite of external domestic managers underperformed the total equity composite for the quarter and over the one-year, three-year and five-year timeframes.
- ◆ **Domestic Micro-cap Exposure:** Micro-cap stocks outperformed their benchmark this quarter but detracted value from the equity composite with a return of +2.2% vs. the total equity composite's return of +2.5%.
- ◆ **International Equity Exposure:** The System's international equity managers had mixed results for the quarter. Baillie Gifford, one of the System's growth managers, generated the highest returns during the period with 1.6%.
- ◆ **RM ARS Program:** The System's RM ARS program had positive returns for the quarter but has lagged the total equity composite over all time periods.



Total Equity Review - U.S. Equity Manager Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
US Equity Composite	72.9	2.3%	7.3%	9.6%	-1.2%	12.9%	12/79
<i>PERS Wilshire 2500 Index</i>		2.3%	7.6%	9.5%	-1.7%		
<i>Value Added</i>		0.0%	-0.2%	0.1%	0.5%		
Total Internal Equity	61.4	2.3%	7.3%	9.5%	-1.1%	11.3%	6/88
Internal PERS 2500	53.0	2.3%	7.5%	9.7%	-1.4%	10.4%	12/91
<i>PERS Wilshire 2500</i>		2.3%	7.6%	9.5%	-1.7%	10.2%	
<i>Tracking Error</i>		0.0%	-0.1%	0.2%	0.3%	0.2%	
Dynamic Completion Fund (DCF)	6.6	2.3%	5.2%	7.3%	1.2%	4.1%	9/98
<i>Custom Benchmark</i>		2.2%	5.0%	7.1%	0.2%	3.3%	
<i>Tracking Error</i>		0.0%	0.2%	0.3%	1.0%	0.8%	
Domestic Enhanced Index Strategy	1.0	3.0%	10.4%	11.9%	-.%	5.2%	3/01
<i>PERS Wilshire 2500</i>		2.3%	7.6%	9.5%	-.%		
<i>Value Added</i>		0.7%	2.9%	2.4%	-.%	5.2%	
Internal Microcap	0.7	2.2%	6.3%	-.%	-.%	14.1%	9/03
<i>Custom Benchmark</i>		1.9%	7.0%	-.%	-.%	17.1%	
<i>Tracking Error</i>		0.4%	-0.7%	-.%	-.%	-3.0%	
Active External Mainstream Mgrs	5.1	2.2%	7.2%	9.8%	-3.1%	3.7%	6/98
Active External Managers + Enh + DCF	16.1	2.1%	6.3%	8.8%	-1.7%	3.8%	6/98
<i>PERS Wilshire 2500</i>		2.3%	7.6%	9.5%	-1.7%	2.3%	
<i>Value Added of Active Mgr Program</i>		-0.2%	-1.3%	-0.7%	0.1%	1.4%	
Total Domestic Ext. Enhanced	4.4	1.9%	-.%	-.%	-.%	9.6%	9/04
<i>Custom Benchmark</i>		1.8%	-.%	-.%	-.%	8.8%	
<i>Value Added</i>		0.2%	-.%	-.%	-.%	0.8%	
Total Domestic MDP	1.9	2.9%	9.1%	9.7%	-.%	2.0%	12/00
Total Domestic MDP Ventures	0.0	15.7%	77.3%	18.1%	-.%	13.1%	3/01
Total Corporate Governance	2.9	5.8%	20.4%	17.8%	16.0%	16.3%	12/98
Total Domestic Corp. Governance	1.3	7.0%	13.0%	16.3%	22.2%	23.3%	12/98
Internal Relational	0.2	14.4%	43.0%	-.%	-.%	35.4%	12/02
<i>Custom Benchmark</i>		2.3%	7.5%	-.%	-.%		
<i>Value Added</i>		12.1%	35.5%	-.%	-.%		
Relational Investors	1.1	5.9%	9.1%	15.3%	21.5%	22.8%	12/98
<i>Custom Benchmark</i>		1.4%	6.3%	8.3%	-2.4%		
<i>Value Added</i>		4.5%	2.8%	7.0%	23.9%		
Total RM ARS Program	1.2	1.6%	8.4%	8.3%	-.%	7.2%	3/02
CalPERS Hedge Fund Partners*	0.7	2.4%	9.8%	8.7%	-.%	7.2%	3/02
CalPERS Hedge Fund UBS	0.5	-0.1%	-.%	-.%	-.%	5.5%	6/04
Policy Index	0.5	2.0%	6.7%	8.8%	-.%	6.4%	3/02

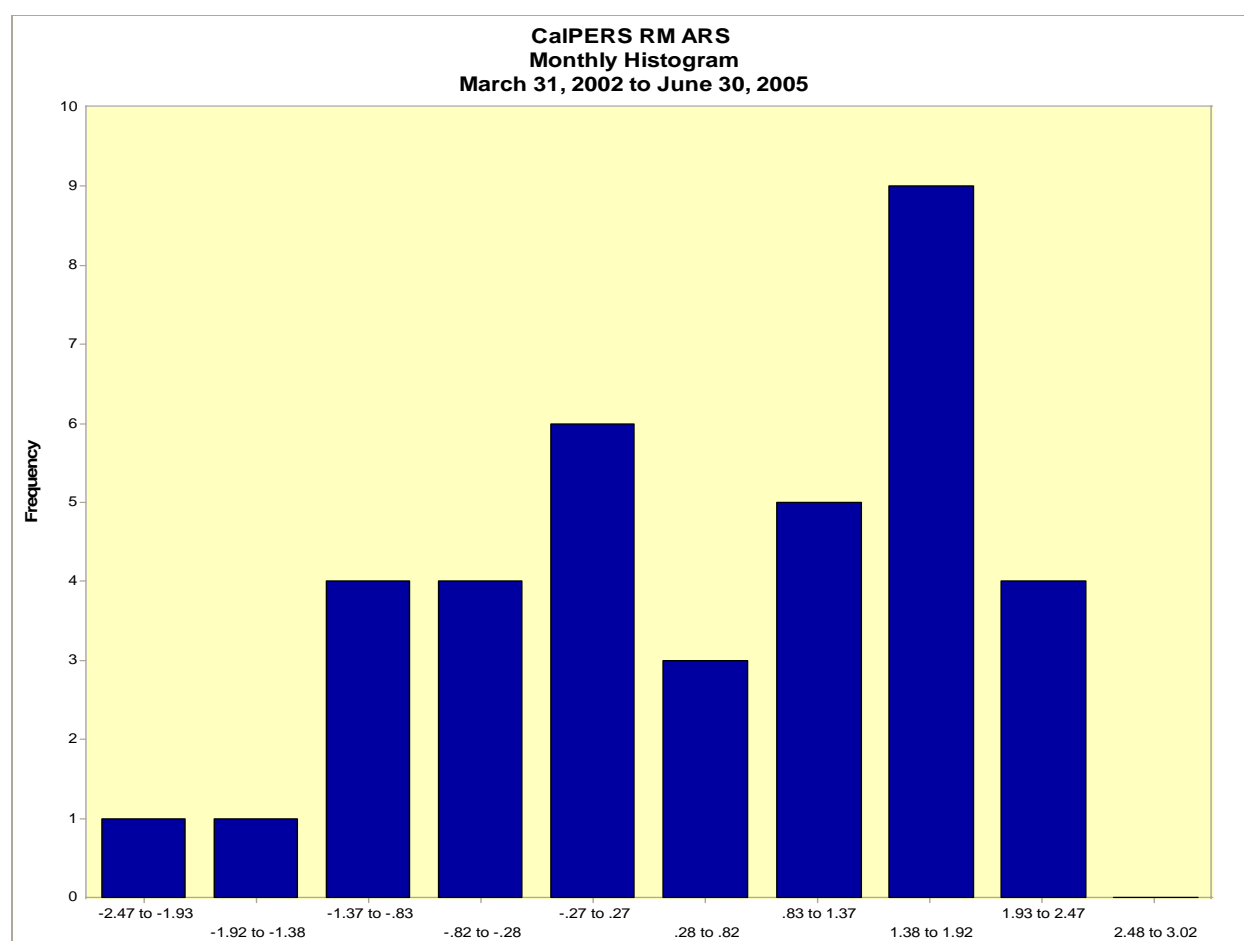


RM ARS Program Performance Period Ended 6/30/05

	<u>MV</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program	1.2	1.6%	8.4%	8.3%	-.-%
HFRI Fund of Funds Index		0.2%	6.2%	6.3%	-.-%
Policy Index ¹³		2.0%	6.7%	8.8%	-.-%

RM ARS Program Characteristics Period Ended 6/30/05

<u>Characteristics as of 6/30/05</u>	<u>Beta vs. S&P 500</u>	<u>No. of Strategies</u>	<u>Since Inception Rolling Correlations vs. Index</u>			
			<u>DJ W5000</u>	<u>PERS 2500</u>	<u>Custom Benchmark***</u>	<u>FTSE AW X US**</u>
RM ARS Program	0.14	8	0.43	0.42	-0.03	0.50



¹³ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

** DJ W5000 = Dow Jones Wilshire 5000 Index, PERS 2500 = CalPERS 2500 Index, Custom Benchmark = weighted average benchmark using actual portfolio weights, FTSE AW X US = FTSE All World, Ex-United States Index.



RM ARS Program Review

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market's, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.14 which implies a weak relationship to stock market return.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a high correlation. Given the short track record, we believe this result is coincidental.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performances. A significant number of outlying monthly performances would indicate insufficient risk controls. At this time, we believe that the distribution of monthly returns is as expected, given the youthfulness of the program.



Total Equity Review - International Equity Manager Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Non-US Equity Composite	35.4	1.4%	17.5%	11.9%	0.1%	6.1%	6/89
<i>PERS SSgA Custom Index ¹⁶</i>		0.0%	16.9%	13.7%	0.5%	5.2%	
<i>Value Added</i>		1.4%	0.6%	-1.8%	-0.4%	0.9%	
Int'l Active Mainstream	5.3	-0.1%	16.2%	11.2%	-0.9%	6.3%	6/89
<i>CalPERS FTSE All World Ex-US</i>		0.1%	15.9%	12.8%	-0.3%		
Total Int'l MDP	0.7	0.6%	15.5%	10.9%	-0.6%	-0.6%	6/00
Total Int'l Active Equity + MDP	6.1	0.0%	16.1%	11.2%	-1.0%	5.7%	3/89
Total Int'l MDP Ventures	0.0	58.9%	91.9%	53.0%	23.7%	13.5%	3/01
Int'l Emerging Markets	3.8	3.7%	43.0%	-.%	-.%	38.3%	9/02
<i>CalPERS FTSE All Emerging Index</i>		0.7%	18.5%	-.%	-.%	36.0%	
Total Corporate Governance	2.9	5.8%	20.4%	17.8%	16.0%	16.3%	12/98
Total Int'l Corporate Governance	1.6	4.8%	26.1%	18.0%	10.5%	9.6%	12/98
Active Value	0.2	9.2%	22.8%	13.3%	10.7%	8.8%	9/98
<i>Custom Benchmark</i>		-0.8%	19.7%	20.5%	9.5%	12.2%	
<i>Value Added</i>		10.0%	3.1%	-7.2%	1.2%	-3.4%	
Active Value Co-Investment	0.1	-5.1%	91.7%	37.4%	18.5%	18.5%	6/00
<i>Custom Benchmark</i>		-0.8%	19.7%	20.5%	9.5%	12.2%	
<i>Value Added</i>		-4.3%	72.0%	16.9%	9.0%	6.3%	
Hermes Focus	0.3	-3.4%	13.3%	15.0%	7.5%	5.8%	12/99
<i>Custom Benchmark</i>		-0.4%	17.4%	13.8%	3.1%	2.3%	
<i>Value Added</i>		-3.0%	-4.1%	1.2%	4.4%	3.5%	
Hermes Europe	0.2	25.3%	63.1%	-.%	-.%	46.0%	9/03
<i>Custom Benchmark</i>		-0.6%	17.7%	-.%	-.%	24.9%	
<i>Value Added</i>		25.9%	45.4%	-.%	-.%	21.1%	
Knight Vinke	0.1	7.7%	31.9%	-.%	-.%	23.2%	12/03
<i>Custom Benchmark</i>		-0.4%	17.9%	-.%	-.%	20.8%	
<i>Value Added</i>		8.1%	14.0%	-.%	-.%	2.4%	
SPARX Value Creation	0.4	0.1%	8.5%	-.%	-.%	42.1%	3/03
<i>Custom Benchmark</i>		-0.4%	-0.1%	-.%	-.%	18.1%	
<i>Value Added</i>		0.5%	8.6%	-.%	-.%	24.0%	
Taiyo Fund	0.4	4.1%	10.8%	-.%	-.%	21.3%	9/03
<i>Custom Benchmark</i>		-0.4%	-0.1%	-.%	-.%	9.6%	
<i>Value Added</i>		4.5%	10.9%	-.%	-.%	11.7%	

¹⁶ The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.



Total Equity Review - International Equity Manager Performance (continued)

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Passive Int'l							
State Street (Unhedged)	25.1	-0.6%	15.0%	13.0%	0.6%	5.1%	6/89
<i>Custom Benchmark</i>		-0.6%	14.9%	12.8%	0.4%	6.0%	
<i>Tracking Error</i>		0.1%	0.2%	0.2%	0.2%	-0.9%	
State Street (Hedged)	25.5	1.4%	15.2%	11.0%	-0.3%	7.7%	6/92
Currency Overlay							
Pareto Partners	5.7	4.0%	14.4%	7.9%	-1.0%	8.2%	6/92
<i>Custom Benchmark</i>		2.8%	11.6%	3.4%	-4.3%	7.4%	
<i>Value Added</i>		1.3%	2.7%	4.4%	3.2%	0.8%	
State Street London	2.5	3.9%	13.9%	6.4%	-1.3%	6.4%	9/96
<i>Custom Benchmark</i>		2.8%	11.6%	3.4%	-4.3%	5.4%	
<i>Value Added</i>		1.1%	2.3%	3.0%	2.9%	1.0%	
Internal Currency Overlay	1.8	4.6%	15.0%	6.2%	-.%	4.6%	9/01
<i>Custom Benchmark</i>		2.8%	11.6%	3.4%	-.%	2.5%	
<i>Value Added</i>		1.8%	3.4%	2.8%	-.%	2.1%	



Total Fixed Income Review

Periods Ended 6/30/05

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	23.2%	23.0%	+0.2%
Non US Fixed Income	2.8	3.0	-0.2

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.1	3.4%	10.8%	9.9%	9.3%	7.8%
<i>Fixed Income Policy Index</i> ¹⁷		3.8%	11.0%	8.7%	8.9%	7.4%
U.S. Fixed Income	43.8	4.2%	11.0%	9.4%	9.4%	8.1%
<i>Policy Index</i> ¹⁸		4.7%	11.3%	8.3%	9.1%	7.8%
<i>Value Added</i>		-0.5%	-0.3%	1.1%	0.3%	0.3%
Non-U.S. Fixed Income	5.4	-2.1%	8.4%	11.6%	8.2%	5.8%
<i>Policy Index</i> ¹⁹		-2.6%	7.8%	11.0%	7.9%	4.8%
<i>Value Added</i>		0.6%	0.6%	0.6%	0.3%	1.0%

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Corporate Bonds:** For the quarter, the System's corporate bonds added value relative to the total fixed income segment return and the total fixed income policy returning +5.6%. The portfolio has exceeded the policy over all time periods.
- ◆ **Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds, outperformed the fixed income policy over the quarter, the one-, three- and five-year time periods.
- ◆ **Treasury Bonds:** Treasury bonds contributed positively to the overall fixed income segment for the quarter (portfolio return of +5.7% vs. fixed income policy's return of +3.8%). The portfolio also outpaced the fixed income policy over the long-term.

¹⁷ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

¹⁸ The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

¹⁹ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.



Total Fixed Income Review (continued)

Impeded Performance:

- ◆ **Internal High Yield:** The System's internal high yield bond portfolio slightly underperformed the fixed income policy index for the quarter. CalPERS' internal high yield portfolio has added value relative to the fixed income policy over the long-term.
- ◆ **External High Yield Bonds:** The system's external high yield portfolio underperformed the fixed income policy index and the Citigroup HY Cash Pay index for the quarter. Poor active management results and the inherent lower interest rate sensitivity of high yield bonds in the face of declining interest rates hurt performance. The external high yield segment has added value over the one- and three-year time periods.
- ◆ **International Fixed Income:** CalPERS' international bond segment detracted value relative to the fixed income segment. The Non-U.S. Fixed Income composite returned -2.1% for the quarter vs. the total fixed composite return of +3.4%. The impact of depreciating foreign currencies adversely affected performance.
- ◆ **Special Investments:** CalPERS' special investments portfolio underperformed the fixed income policy for the quarter. Over the long term, the portfolio has lagged the fixed income policy.
- ◆ **Mortgage Bonds:** The mortgage sector performed relatively poorly this quarter in the overall fixed income segment. The System's internal portfolio detracted value relative to the fixed income policy over the quarter due to the adverse effect of prepayment risk in a declining interest rate environment. The mortgage segment has lagged the fixed income policy over longer time periods.



Total Fixed Income Review (continued)

Fixed Income Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Internal Bonds & Opportunistic²⁰	42.0	4.2%	11.2%	9.6%	9.5%	-.%
Total Internal Bonds	39.9	4.3%	10.5%	8.7%	9.1%	7.9%
Corporate Bonds	10.0	5.6%	14.6%	11.9%	10.2%	8.5%
Treasury Bonds	8.3	5.7%	12.9%	9.2%	9.7%	8.4%
Mortgage Bonds	13.0	2.7%	6.9%	5.3%	7.3%	7.1%
High Yield Bonds	0.7	3.1%	21.4%	19.9%	16.7%	-.%
Sovereign Bonds	0.7	6.6%	15.8%	11.8%	12.7%	-.%
U.S. Governments	6.5	3.8%	6.9%	7.6%	9.0%	-.%
<i>Lehman Long Liabilities Index</i>		4.7%	11.3%	-.%	-.%	-.%
Special Investments	1.7	2.8%	8.0%	6.6%	7.5%	6.5%
AFL-CIO HIT	0.1	3.0%	6.7%	5.0%	7.0%	7.0%
Equitable CCMF	0.0	2.1%	8.4%	7.3%	8.4%	-.%
MHLP-BRS	1.6	2.9%	8.0%	6.8%	-.%	-.%
U.L.L.I. Co.	0.0	1.8%	14.5%	7.7%	9.0%	8.5%
Dom. Fixed Manager Development	0.2	2.5%	6.9%	7.8%	-.%	-.%
LM Capital	0.2	2.5%	6.9%	7.0%	-.%	-.%
<i>Custom Benchmark</i>		3.1%	7.0%	5.9%	-.%	-.%
<i>Value Added</i>		-0.7%	-0.1%	1.1%	-.%	-.%
<i>Performance Objective</i>		3.4%	8.0%	6.9%	-.%	-.%
<i>Value Added</i>		-0.9%	-1.1%	0.1%	-.%	-.%
External High Yield	1.4	1.2%	11.2%	13.6%	-.%	-.%
<i>Citigroup High Yield Cash Pay</i>		2.4%	10.2%	14.8%	-.%	-.%
External International Fixed Income	5.4	-2.1%	8.4%	11.6%	8.2%	5.8%
<i>Custom Benchmark*</i>		-2.6%	7.8%	11.0%	7.9%	4.8%

²⁰ The Internal Bonds & Opportunistic Composite includes Internal US Bonds and External High Yield.

* The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.



Total Real Estate Review

Period Ended 6/30/05

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Real Estate ²¹	11.0	8.5%	30.2%	15.6%	14.3%	13.0%
<i>NCREIF Property Index Lagged</i> ²²		3.5%	15.6%	10.7%	10.2%	11.0%
<i>TUCS Real Estate Median</i>		4.6%	18.8%	12.9%	10.6%	11.6%
Total Core Real Estate	7.3	10.5%	31.7%	15.3%	15.1%	-.%
Core Real Estate Exc Public	7.2	10.4%	31.4%	15.1%	14.8%	13.0%
Core Real Estate Securities	0.1	15.6%	40.3%	22.2%	21.4%	-.%
Total Specialized Real Estate	3.8	4.6%	27.4%	17.0%	11.7%	12.2%
Bay Area Real Estate	0.2	24.1%	40.3%	27.1%	21.9%	19.2%
Extended Market	0.3	13.9%	34.7%	21.4%	-.%	-.%
Non-Core Real Estate Exc Public	3.2	2.5%	24.4%	14.9%	10.1%	10.1%

- ◆ CalPERS' real estate composite return of 8.5% outpaced both the lagged NCREIF Property Index return of 3.5% as well as the TUCS real estate median return of 4.6% during the quarter by a wide margin. The composite also outpaced both the NCREIF Property Lagged Index and the TUCS median over the long term. The private real estate exposure contributed to the System's outperformance for this quarter.

²¹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

²² The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.



APPENDIX



External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market						
	<u>Value</u> 5.1	<u>Qtr</u> 2.2%	<u>1 Year</u> 7.2%	<u>3 Year</u> 9.8%	<u>5 Year</u> -3.1%	<u>Incept.</u> 3.7%	<u>Date</u> 6/98
Domestic External Core							
Goldman Sachs Liberty	0.3	3.9%	3.3%	-.-%	-.-%	13.5%	9/02
<i>Custom Benchmark</i>		2.5%	8.1%	-.-%	-.-%	18.4%	
<i>Value Added</i>		1.4%	-4.7%	-.-%	-.-%	-4.9%	
<i>Performance Objective</i>		2.8%	9.3%	-.-%	-.-%	19.7%	
<i>Value Added</i>		1.1%	-6.0%	-.-%	-.-%	-6.2%	
Smith Asset Large Cap (MDP)	0.1	3.0%	10.6%	-.-%	-.-%	10.5%	12/03
<i>Custom Benchmark</i>		1.4%	6.3%	-.-%	-.-%	6.5%	
<i>Value Added</i>		1.6%	4.3%	-.-%	-.-%	4.0%	
<i>Performance Objective</i>		1.9%	8.3%	-.-%	-.-%	8.5%	
<i>Value Added</i>		1.1%	2.3%	-.-%	-.-%	2.0%	
Golden Capital - Large Core (MDP)	0.1	1.3%	8.5%	9.5%	-.-%	1.3%	12/00
<i>Custom Benchmark</i>		1.4%	6.3%	8.3%	-.-%	-0.7%	
<i>Value Added</i>		-0.1%	2.2%	1.2%	-.-%	2.0%	
<i>Performance Objective</i>		1.6%	7.3%	9.3%	-.-%	0.4%	
<i>Value Added</i>		-0.3%	1.2%	0.2%	-.-%	1.0%	
Golden Capital - Small Core (MDP)	0.1	3.2%	14.1%	14.5%	-.-%	11.0%	12/00
<i>Custom Benchmark</i>		3.9%	13.5%	14.0%	-.-%	10.6%	
<i>Value Added</i>		-0.7%	0.7%	0.5%	-.-%	0.3%	
<i>Performance Objective</i>		4.2%	14.5%	15.0%	-.-%	11.6%	
<i>Value Added</i>		-0.9%	-0.3%	-0.5%	-.-%	-0.7%	



External Manager Performance Review (continued)

Domestic Equity - Growth

Active External Mgrs	Market Value 5.1	Qtr 2.2%	1 Year 7.2%	3 Year 9.8%	5 Year -3.1%	Incept. 3.7%	Date 6/98
Domestic External Growth							
Oak Associates	0.3	1.6%	-8.0%	6.0%	-20.0%	13.8%	12/90
<i>Custom Benchmark</i>		2.9%	1.6%	8.9%	-16.3%	9.0%	
<i>Value Added</i>		-1.3%	-9.6%	-2.9%	-3.7%	4.8%	
<i>Performance Objective</i>		3.9%	5.6%	12.9%	-12.3%	13.0%	
<i>Value Added</i>		-2.3%	-13.6%	-6.9%	-7.7%	0.8%	
Smith Graham (MDP)	0.1	4.6%	7.8%	-.%	-.%	12.7%	9/02
<i>Custom Benchmark</i>		2.5%	5.2%	-.%	-.%	16.4%	
<i>Value Added</i>		2.2%	2.6%	-.%	-.%	-3.7%	
<i>Performance Objective</i>		2.8%	6.7%	-.%	-.%	17.9%	
<i>Value Added</i>		1.8%	1.1%	-.%	-.%	-5.2%	
Geewax Terker	0.5	1.0%	4.8%	5.8%	-9.6%	-1.6%	6/98
<i>Custom Benchmark</i>		2.1%	1.5%	6.6%	-10.4%	-1.5%	
<i>Value Added</i>		-1.1%	3.3%	-0.8%	0.8%	-0.1%	
<i>Performance Objective</i>		2.4%	2.8%	7.9%	-9.2%	-0.3%	
<i>Value Added</i>		-1.4%	2.1%	-2.1%	-0.4%	-1.3%	
Stux (MDP)	0.2	1.8%	6.6%	-.%	-.%	6.4%	3/04
<i>Custom Benchmark</i>		2.1%	7.9%	-.%	-.%	7.5%	
<i>Value Added</i>		-0.3%	-1.3%	-.%	-.%	-1.1%	
<i>Performance Objective</i>		2.4%	9.4%	-.%	-.%	9.0%	
<i>Value Added</i>		-0.7%	-2.8%	-.%	-.%	-2.6%	
Franklin Advisers	0.8	0.6%	1.8%	-.%	-.%	16.1%	9/02
<i>Custom Benchmark</i>		2.6%	5.9%	-.%	-.%	17.3%	
<i>Value Added</i>		-1.9%	-4.2%	-.%	-.%	-1.3%	
<i>Performance Objective</i>		2.9%	7.2%	-.%	-.%	18.6%	
<i>Value Added</i>		-2.3%	-5.4%	-.%	-.%	-2.5%	
Rigel - Large Growth (MDP)	0.2	3.1%	9.6%	-.%	-.%	9.6%	12/03
<i>Custom Benchmark</i>		2.5%	1.7%	-.%	-.%	3.0%	
<i>Value Added</i>		0.7%	7.9%	-.%	-.%	6.6%	
<i>Performance Objective</i>		3.0%	3.7%	-.%	-.%	5.0%	
<i>Value Added</i>		0.2%	5.9%	-.%	-.%	4.6%	
Rigel - Small Mid Growth (MDP)	0.1	3.2%	5.9%	-.%	-.%	10.6%	12/03
<i>Custom Benchmark</i>		3.6%	7.5%	-.%	-.%	8.8%	
<i>Value Added</i>		-0.3%	-1.5%	-.%	-.%	1.7%	
<i>Performance Objective</i>		4.2%	10.0%	-.%	-.%	11.3%	
<i>Value Added</i>		-1.0%	-4.0%	-.%	-.%	-0.8%	
Westcap Investments (MDP)	0.2	4.8%	3.5%	-.%	-.%	17.5%	9/02
<i>Custom Benchmark</i>		4.2%	7.1%	-.%	-.%	21.3%	
<i>Value Added</i>		0.6%	-3.5%	-.%	-.%	-3.8%	
<i>Performance Objective</i>		5.0%	10.1%	-.%	-.%	24.3%	
<i>Value Added</i>		-0.2%	-6.6%	-.%	-.%	-6.8%	



External Manager Performance Review (continued)

Domestic Equity - Value

Active External Mgrs	Market Value 5.1	Qtr 2.2%	1 Year 7.2%	3 Year 9.8%	5 Year -3.1%	Incept. 3.7%	Date 6/98
Domestic External Value							
JP Morgan	0.6	2.8%	13.9%	11.6%	-.-%	3.9%	9/00
<i>Custom Benchmark</i>		2.3%	13.3%	11.4%	-.-%	4.5%	
<i>Value Added</i>		0.5%	0.6%	0.2%	-.-%	-0.6%	
<i>Performance Objective</i>		2.6%	14.5%	12.7%	-.-%	5.7%	
<i>Value Added</i>		0.2%	-0.6%	-1.1%	-.-%	-1.9%	
Denali Advisors (MDP)	0.1	5.2%	18.1%	10.3%	-.-%	5.2%	6/01
<i>Custom Benchmark</i>		2.3%	13.3%	11.4%	-.-%	5.5%	
<i>Value Added</i>		2.9%	4.8%	-1.1%	-.-%	-0.3%	
<i>Performance Objective</i>		2.8%	15.3%	13.4%	-.-%	7.5%	
<i>Value Added</i>		2.4%	2.8%	-3.1%	-.-%	-2.3%	
Golden Capital - Large Value (MDP)	0.2	2.2%	12.1%	9.7%	-.-%	4.6%	12/00
<i>Custom Benchmark</i>		1.4%	6.3%	8.3%	-.-%	-0.7%	
<i>Value Added</i>		0.9%	5.8%	1.4%	-.-%	5.3%	
<i>Performance Objective</i>		1.9%	8.3%	10.3%	-.-%	1.4%	
<i>Value Added</i>		0.4%	3.8%	-0.6%	-.-%	3.3%	
Philippe U.S. Equity (MDP)	0.1	0.7%	-.-%	-.-%	-.-%	6.5%	9/04
<i>Custom Benchmark</i>		2.1%	-.-%	-.-%	-.-%	9.9%	
<i>Value Added</i>		-1.4%	-.-%	-.-%	-.-%	-3.4%	
<i>Performance Objective</i>		2.4%	-.-%	-.-%	-.-%	10.9%	
<i>Value Added</i>		-1.7%	-.-%	-.-%	-.-%	-4.3%	
Osprey	0.5	1.7%	9.4%	8.2%	-.-%	3.3%	9/00
<i>Custom Benchmark</i>		2.4%	13.4%	12.1%	-.-%	5.6%	
<i>Value Added</i>		-0.7%	-4.0%	-4.0%	-.-%	-2.3%	
<i>Performance Objective</i>		2.7%	14.6%	13.4%	-.-%	6.9%	
<i>Value Added</i>		-1.0%	-5.3%	-5.2%	-.-%	-3.6%	
AllianceBernstein	0.6	2.8%	12.8%	11.3%	-.-%	11.7%	9/00
<i>Custom Benchmark</i>		2.5%	13.4%	12.5%	-.-%	6.7%	
<i>Value Added</i>		0.3%	-0.6%	-1.2%	-.-%	5.0%	
<i>Performance Objective</i>		2.8%	14.7%	13.8%	-.-%	7.9%	
<i>Value Added</i>		0.0%	-1.8%	-2.4%	-.-%	3.8%	
The Boston Company	0.8	1.6%	11.6%	14.4%	7.5%	7.1%	6/98
<i>Custom Benchmark</i>		2.5%	11.6%	12.1%	7.0%	6.4%	
<i>Value Added</i>		-0.9%	0.0%	2.4%	0.5%	0.7%	
<i>Performance Objective</i>		2.8%	12.8%	13.3%	8.2%	7.7%	
<i>Value Added</i>		-1.2%	-1.2%	1.1%	-0.7%	-0.6%	



External Manager Performance Review (continued)

Domestic Equity – Value cont'd

Active External Mgrs	<u>Market Value</u> 5.1	<u>Qtr</u> 2.2%	<u>1 Year</u> 7.2%	<u>3 Year</u> 9.8%	<u>5 Year</u> -3.1%	<u>Incept.</u> 3.7%	<u>Date</u> 6/98
Domestic External Value cont'd							
Pzena	0.7	4.2%	11.6%	17.2%	-.-%	18.7%	9/00
<i>Custom Benchmark</i>		2.9%	13.7%	14.5%	-.-%	11.0%	
<i>Value Added</i>		1.3%	-2.1%	2.7%	-.-%	7.6%	
<i>Performance Objective</i>		3.2%	14.9%	15.7%	-.-%	12.3%	
<i>Value Added</i>		1.0%	-3.4%	1.5%	-.-%	6.4%	
Shenandoah (MDP)	0.2	3.4%	17.4%	13.2%	-.-%	10.0%	3/01
<i>Custom Benchmark</i>		4.3%	14.0%	13.1%	-.-%	11.1%	
<i>Value Added</i>		-0.9%	3.4%	0.1%	-.-%	-1.0%	
<i>Performance Objective</i>		4.8%	16.0%	15.1%	-.-%	13.1%	
<i>Value Added</i>		-1.4%	1.4%	-1.9%	-.-%	-3.0%	
Smith Asset Small Cap (MDP)	0.1	3.9%	15.1%	-.-%	-.-%	16.5%	12/03
<i>Custom Benchmark</i>		4.3%	9.5%	-.-%	-.-%	10.9%	
<i>Value Added</i>		-0.4%	5.6%	-.-%	-.-%	5.5%	
<i>Performance Objective</i>		5.0%	12.0%	-.-%	-.-%	13.4%	
<i>Value Added</i>		-1.0%	3.1%	-.-%	-.-%	3.0%	
Timeless (MDP)	0.2	0.8%	1.0%	-.-%	-.-%	20.1%	9/02
<i>Custom Benchmark</i>		4.3%	9.5%	-.-%	-.-%	24.5%	
<i>Value Added</i>		-3.6%	-8.5%	-.-%	-.-%	-4.4%	
<i>Performance Objective</i>		5.0%	12.0%	-.-%	-.-%	27.0%	
<i>Value Added</i>		-4.2%	-11.0%	-.-%	-.-%	-6.9%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

Total Domestic Ext. Enhanced	Market Value 4.4	Qtr 1.9%	1 Year -.-%	3 Year -.-%	5 Year -.-%	Incept. 9.6%	Date 9/04
Atlantic Asset Management	0.3	1.8%	-.-%	-.-%	-.-%	-1.1%	12/04
<i>Custom Benchmark</i>		1.4%	-.-%	-.-%	-.-%	-0.8%	
<i>Value Added</i>		0.5%	-.-%	-.-%	-.-%	-0.3%	
<i>Performance Objective</i>		1.6%	-.-%	-.-%	-.-%	-0.3%	
<i>Value Added</i>		0.2%	-.-%	-.-%	-.-%	-0.8%	
Franklin Portfolio Associates	0.9	1.1%	-.-%	-.-%	-.-%	9.4%	9/04
<i>Custom Benchmark</i>		1.9%	-.-%	-.-%	-.-%	9.4%	
<i>Value Added</i>		-0.8%	-.-%	-.-%	-.-%	0.0%	
<i>Performance Objective</i>		2.2%	-.-%	-.-%	-.-%	10.1%	
<i>Value Added</i>		-1.0%	-.-%	-.-%	-.-%	-0.8%	
Goldman Sachs Enhanced	0.4	3.9%	-.-%	-.-%	-.-%	3.9%	3/05
<i>Custom Benchmark</i>		3.6%	-.-%	-.-%	-.-%	3.6%	
<i>Value Added</i>		0.3%	-.-%	-.-%	-.-%	0.3%	
<i>Performance Objective</i>		4.1%	-.-%	-.-%	-.-%	4.1%	
<i>Value Added</i>		-0.1%	-.-%	-.-%	-.-%	-0.1%	
INTECH	0.9	2.5%	-.-%	-.-%	-.-%	12.3%	9/04
<i>Custom Benchmark</i>		1.9%	-.-%	-.-%	-.-%	9.4%	
<i>Value Added</i>		0.6%	-.-%	-.-%	-.-%	2.9%	
<i>Performance Objective</i>		2.2%	-.-%	-.-%	-.-%	10.1%	
<i>Value Added</i>		0.4%	-.-%	-.-%	-.-%	2.1%	
Quantitative Management Associates	0.9	1.7%	-.-%	-.-%	-.-%	9.8%	9/04
<i>Custom Benchmark</i>		1.3%	-.-%	-.-%	-.-%	7.9%	
<i>Value Added</i>		0.3%	-.-%	-.-%	-.-%	1.8%	
<i>Performance Objective</i>		1.6%	-.-%	-.-%	-.-%	8.7%	
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	1.1%	
Smith Breeden	0.5	1.5%	-.-%	-.-%	-.-%	-0.8%	12/04
<i>Custom Benchmark</i>		1.4%	-.-%	-.-%	-.-%	-0.8%	
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	0.0%	
<i>Performance Objective</i>		1.6%	-.-%	-.-%	-.-%	-0.3%	
<i>Value Added</i>		-0.1%	-.-%	-.-%	-.-%	-0.5%	
WAMCO	0.5	1.5%	-.-%	-.-%	-.-%	8.4%	9/04
<i>Custom Benchmark</i>		1.4%	-.-%	-.-%	-.-%	8.3%	
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	0.1%	
<i>Performance Objective</i>		1.6%	-.-%	-.-%	-.-%	9.1%	
<i>Value Added</i>		-0.1%	-.-%	-.-%	-.-%	-0.7%	



External Manager Performance Review (continued)

Domestic Equity – MDP

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic MDP	1.9	2.9%	9.1%	9.7%	-.-%	2.0%	12/00
Total Domestic MDP Ventures	0.0	15.7%	77.3%	18.1%	-.-%	13.1%	3/01
Golden Capital - Large Core (MDP)	0.1	1.3%	8.5%	9.5%	-.-%	1.3%	12/00
<i>Custom Benchmark</i>		1.4%	6.3%	8.3%	-.-%	-0.7%	
<i>Value Added</i>		-0.1%	2.2%	1.2%	-.-%	2.0%	
<i>Performance Objective</i>		1.6%	7.3%	9.3%	-.-%	0.4%	
<i>Value Added</i>		-0.3%	1.2%	0.2%	-.-%	1.0%	
Golden Capital - Small Core (MDP)	0.1	3.2%	14.1%	14.5%	-.-%	11.0%	12/00
<i>Custom Benchmark</i>		3.9%	13.5%	14.0%	-.-%	10.6%	
<i>Value Added</i>		-0.7%	0.7%	0.5%	-.-%	0.3%	
<i>Performance Objective</i>		4.2%	14.5%	15.0%	-.-%	11.6%	
<i>Value Added</i>		-0.9%	-0.3%	-0.5%	-.-%	-0.7%	
Rigel - Large Growth (MDP)	0.2	3.1%	9.6%	-.-%	-.-%	9.6%	12/03
<i>Custom Benchmark</i>		2.5%	1.7%	-.-%	-.-%	3.0%	
<i>Value Added</i>		0.7%	7.9%	-.-%	-.-%	6.6%	
<i>Performance Objective</i>		3.0%	3.7%	-.-%	-.-%	5.0%	
<i>Value Added</i>		0.2%	5.9%	-.-%	-.-%	4.6%	
Smith Graham (MDP)	0.1	4.6%	7.8%	-.-%	-.-%	12.7%	9/02
<i>Custom Benchmark</i>		2.5%	5.2%	-.-%	-.-%	16.4%	
<i>Value Added</i>		2.2%	2.6%	-.-%	-.-%	-3.7%	
<i>Performance Objective</i>		2.8%	6.7%	-.-%	-.-%	17.9%	
<i>Value Added</i>		1.8%	1.1%	-.-%	-.-%	-5.2%	
Stux (MDP)	0.2	1.8%	6.6%	-.-%	-.-%	6.4%	3/04
<i>Custom Benchmark</i>		2.1%	7.9%	-.-%	-.-%	7.5%	
<i>Value Added</i>		-0.3%	-1.3%	-.-%	-.-%	-1.1%	
<i>Performance Objective</i>		2.4%	9.4%	-.-%	-.-%	9.0%	
<i>Value Added</i>		-0.7%	-2.8%	-.-%	-.-%	-2.6%	
Rigel - Small Mid Growth (MDP)	0.1	3.2%	5.9%	-.-%	-.-%	10.6%	12/03
<i>Custom Benchmark</i>		3.6%	7.5%	-.-%	-.-%	8.8%	
<i>Value Added</i>		-0.3%	-1.5%	-.-%	-.-%	1.7%	
<i>Performance Objective</i>		4.2%	10.0%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-1.0%	-4.0%	-.-%	-.-%	-0.8%	
Westcap Investments (MDP)	0.2	4.8%	3.5%	-.-%	-.-%	17.5%	9/02
<i>Custom Benchmark</i>		4.2%	7.1%	-.-%	-.-%	21.3%	
<i>Value Added</i>		0.6%	-3.5%	-.-%	-.-%	-3.8%	
<i>Performance Objective</i>		5.0%	10.1%	-.-%	-.-%	24.3%	
<i>Value Added</i>		-0.2%	-6.6%	-.-%	-.-%	-6.8%	



External Manager Performance Review (continued)

Domestic Equity – MDP cont'd

	<u>Market Value</u> 1.9	<u>Qtr</u> 2.9%	<u>1 Year</u> 9.1%	<u>3 Year</u> 9.7%	<u>5 Year</u> -.-%	<u>Incept.</u> 2.0%	<u>Date</u> 12/00
Total Domestic MDP							
Total Domestic MDP Ventures	0.0	15.7%	77.3%	18.1%	-.-%	13.1%	3/01
Denali Advisors (MDP)	0.1	5.2%	18.1%	10.3%	-.-%	5.2%	6/01
<i>Custom Benchmark</i>		2.3%	13.3%	11.4%	-.-%	5.5%	
<i>Value Added</i>		2.9%	4.8%	-1.1%	-.-%	-0.3%	
<i>Performance Objective</i>		2.8%	15.3%	13.4%	-.-%	7.5%	
<i>Value Added</i>		2.4%	2.8%	-3.1%	-.-%	-2.3%	
Golden Capital - Large Value (MDP)	0.2	2.2%	12.1%	9.7%	-.-%	4.6%	12/00
<i>Custom Benchmark</i>		1.4%	6.3%	8.3%	-.-%	-0.7%	
<i>Value Added</i>		0.9%	5.8%	1.4%	-.-%	5.3%	
<i>Performance Objective</i>		1.9%	8.3%	10.3%	-.-%	1.4%	
<i>Value Added</i>		0.4%	3.8%	-0.6%	-.-%	3.3%	
Philippe U.S. Equity (MDP)	0.1	0.7%	-.-%	-.-%	-.-%	6.5%	9/04
<i>Custom Benchmark</i>		2.1%	-.-%	-.-%	-.-%	9.9%	
<i>Value Added</i>		-1.4%	-.-%	-.-%	-.-%	-3.4%	
<i>Performance Objective</i>		2.4%	-.-%	-.-%	-.-%	10.9%	
<i>Value Added</i>		-1.7%	-.-%	-.-%	-.-%	-4.3%	
Shenandoah (MDP)	0.2	3.4%	17.4%	13.2%	-.-%	10.0%	3/01
<i>Custom Benchmark</i>		4.3%	14.0%	13.1%	-.-%	11.1%	
<i>Value Added</i>		-0.9%	3.4%	0.1%	-.-%	-1.0%	
<i>Performance Objective</i>		4.8%	16.0%	15.1%	-.-%	13.1%	
<i>Value Added</i>		-1.4%	1.4%	-1.9%	-.-%	-3.0%	
Smith Asset Small Cap (MDP)	0.1	3.9%	15.1%	-.-%	-.-%	16.5%	12/03
<i>Custom Benchmark</i>		4.3%	9.5%	-.-%	-.-%	10.9%	
<i>Value Added</i>		-0.4%	5.6%	-.-%	-.-%	5.5%	
<i>Performance Objective</i>		5.0%	12.0%	-.-%	-.-%	13.4%	
<i>Value Added</i>		-1.0%	3.1%	-.-%	-.-%	3.0%	
Timeless (MDP)	0.2	0.8%	1.0%	-.-%	-.-%	20.1%	9/02
<i>Custom Benchmark</i>		4.3%	9.5%	-.-%	-.-%	24.5%	
<i>Value Added</i>		-3.6%	-8.5%	-.-%	-.-%	-4.4%	
<i>Performance Objective</i>		5.0%	12.0%	-.-%	-.-%	27.0%	
<i>Value Added</i>		-4.2%	-11.0%	-.-%	-.-%	-6.9%	



External Manager Performance Review (continued)
International Equity – Core ACWI

Int'l Active Mainstream	Market Value 5.3	Qtr -0.1%	1 Year 16.2%	3 Year 11.2%	5 Year -0.9%	Incept. 6.3%	Date 6/89
Int'l External Core							
Arrowstreet (Mainstream)	0.7	0.9%	23.9%	-.%	-.%	30.7%	3/03
Custom Benchmark		0.0%	16.9%	-.%	-.%	31.3%	
Value Added		1.0%	7.0%	-.%	-.%	-0.6%	
Performance Objective		0.5%	18.9%	-.%	-.%	33.3%	
Value Added		0.5%	5.0%	-.%	-.%	-2.6%	
Arrowstreet (MDP)	0.1	1.3%	24.5%	14.2%	-.%	3.4%	6/00
Custom Benchmark		0.0%	16.9%	13.7%	-.%	0.4%	
Value Added		1.3%	7.5%	0.6%	-.%	2.9%	
Performance Objective		0.5%	18.9%	15.7%	-.%	2.4%	
Value Added		0.8%	5.5%	-1.4%	-.%	0.9%	
Robeco USA	0.4	-0.1%	17.5%	11.8%	-.%	10.8%	9/01
Custom Benchmark		0.0%	16.9%	13.7%	-.%	12.8%	
Value Added		-0.1%	0.6%	-1.9%	-.%	-2.0%	
Performance Objective		0.5%	18.9%	15.7%	-.%	14.8%	
Value Added		-0.6%	-1.4%	-3.9%	-.%	-4.0%	
Int'l External Core Europe							
AXA Rosenberg	0.9	-0.7%	19.4%	13.4%	-.%	7.7%	3/01
Custom Benchmark		-0.8%	17.1%	12.9%	-.%	6.4%	
Value Added		0.1%	2.2%	0.5%	-.%	1.3%	
Performance Objective		-0.3%	19.1%	14.9%	-.%	8.4%	
Value Added		-0.4%	0.2%	-1.5%	-.%	-0.7%	
Capital Guardian	0.5	-1.1%	14.5%	12.3%	-.%	6.7%	3/01
Custom Benchmark		-0.8%	17.1%	12.9%	-.%	6.4%	
Value Added		-0.3%	-2.6%	-0.6%	-.%	0.3%	
Performance Objective		-0.3%	19.1%	14.9%	-.%	8.4%	
Value Added		-0.8%	-4.6%	-2.6%	-.%	-1.8%	



External Manager Performance Review (continued)
International Equity – Growth & Value

Int'l Active Mainstream	Market Value 5.3	Qtr -0.1%	1 Year 16.2%	3 Year 11.2%	5 Year -0.9%	Incept. 6.3%	Date 6/89
Int'l External Growth							
Artisan	0.4	-1.5%	10.9%	8.1%	-.-%	4.5%	6/01
Custom Benchmark		0.0%	16.9%	13.7%	-.-%	7.6%	
Value Added		-1.5%	-6.0%	-5.6%	-.-%	-3.1%	
Performance Objective		0.7%	19.9%	16.7%	-.-%	10.6%	
Value Added		-2.2%	-9.0%	-8.6%	-.-%	-6.1%	
Baillie Gifford	0.7	1.6%	22.1%	12.8%	-.-%	7.0%	6/01
Custom Benchmark		0.0%	16.9%	13.7%	-.-%	7.6%	
Value Added		1.6%	5.2%	-0.9%	-.-%	-0.6%	
Performance Objective		0.5%	18.9%	15.7%	-.-%	9.6%	
Value Added		1.1%	3.2%	-2.9%	-.-%	-2.6%	
Int'l External Value ACWI							
Grantham, Mayo, Van Otterloo	0.9	-0.6%	16.3%	15.3%	-.-%	12.0%	6/01
Custom Benchmark		0.0%	16.9%	13.7%	-.-%	7.6%	
Value Added		-0.5%	-0.6%	1.6%	-.-%	4.4%	
Performance Objective		0.6%	19.4%	16.1%	-.-%	10.1%	
Value Added		-1.1%	-3.1%	-0.8%	-.-%	1.9%	
Northroad (MDP)	0.2	-0.4%	13.7%	-.-%	-.-%	9.2%	12/03
Custom Benchmark		-0.3%	15.6%	-.-%	-.-%	13.3%	
Value Added		-0.1%	-1.8%	-.-%	-.-%	-4.2%	
Performance Objective		0.2%	17.6%	-.-%	-.-%	15.3%	
Value Added		-0.6%	-3.9%	-.-%	-.-%	-6.2%	
Pyrford (MDP)	0.4	0.9%	15.7%	11.8%	-.-%	9.9%	12/01
Custom Benchmark		-0.3%	15.6%	13.3%	-.-%	11.0%	
Value Added		1.3%	0.2%	-1.5%	-.-%	-1.1%	
Performance Objective		0.2%	17.6%	15.3%	-.-%	13.0%	
Value Added		0.8%	-1.9%	-3.5%	-.-%	-3.1%	
Int'l External Value Pacific							
Nomura	0.8	0.4%	10.6%	13.0%	-0.5%	3.6%	9/89
Custom Benchmark		0.0%	11.8%	12.2%	-2.1%	-0.8%	
Value Added		0.5%	-1.2%	0.8%	1.6%	4.4%	
Performance Objective		0.5%	13.8%	14.2%	-0.1%	1.3%	
Value Added		0.0%	-3.2%	-1.2%	-0.4%	2.4%	



External Manager Performance Review (continued)

International Equity – MDP

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Int'l MDP	0.7	0.0%	16.1%	10.9%	-0.6%	-0.6%	6/00
Total Int'l MDP Ventures	0.0	58.9%	91.9%	53.0%	23.7%	23.7%	6/00
Arrowstreet (MDP)	0.1	1.3%	24.5%	14.2%	-.%	3.4%	6/00
<i>Custom Benchmark</i>		0.0%	16.9%	13.7%	-.%	0.4%	
<i>Value Added</i>		1.3%	7.5%	0.6%	-.%	2.9%	
<i>Performance Objective</i>		0.5%	18.9%	15.7%	-.%	2.4%	
<i>Value Added</i>		0.8%	5.5%	-1.4%	-.%	0.9%	
Northroad (MDP)	0.2	-0.4%	13.7%	-.%	-.%	9.2%	12/03
<i>Custom Benchmark</i>		-0.3%	15.6%	-.%	-.%	13.3%	
<i>Value Added</i>		-0.1%	-1.8%	-.%	-.%	-4.2%	
<i>Performance Objective</i>		0.2%	17.6%	-.%	-.%	15.3%	
<i>Value Added</i>		-0.6%	-3.9%	-.%	-.%	-6.2%	
Pyrford (MDP)	0.4	0.9%	15.7%	11.8%	-.%	9.9%	12/01
<i>Custom Benchmark</i>		-0.3%	15.6%	13.3%	-.%	11.0%	
<i>Value Added</i>		1.3%	0.2%	-1.5%	-.%	-1.1%	
<i>Performance Objective</i>		0.2%	17.6%	15.3%	-.%	13.0%	
<i>Value Added</i>		0.8%	-1.9%	-3.5%	-.%	-3.1%	

International Equity – Emerging Markets

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Emerging Markets	3.8	3.7%	43.0%	-.%	-.%	38.3%	9/02
AllianceBernstein	1.2	2.6%	50.8%	-.%	-.%	44.0%	9/02
<i>Custom Benchmark</i>		4.2%	35.1%	-.%	-.%	34.2%	
<i>Value Added</i>		-1.6%	15.7%	-.%	-.%	9.7%	
<i>Performance Objective</i>		4.8%	37.6%	-.%	-.%	36.7%	
<i>Value Added</i>		-2.2%	13.2%	-.%	-.%	7.2%	
DFA	1.4	3.1%	37.4%	-.%	-.%	38.5%	9/02
<i>Custom Benchmark</i>		4.2%	35.1%	-.%	-.%	34.2%	
<i>Value Added</i>		-1.1%	2.3%	-.%	-.%	4.3%	
<i>Performance Objective</i>		4.7%	37.1%	-.%	-.%	36.2%	
<i>Value Added</i>		-1.6%	0.3%	-.%	-.%	2.3%	
Genesis	1.1	5.8%	41.6%	-.%	-.%	32.8%	9/02
<i>Custom Benchmark</i>		4.2%	35.1%	-.%	-.%	34.2%	
<i>Value Added</i>		1.6%	6.5%	-.%	-.%	-1.4%	
<i>Performance Objective</i>		4.8%	37.6%	-.%	-.%	36.7%	
<i>Value Added</i>		0.9%	4.0%	-.%	-.%	-3.9%	



External Manager Performance Review (continued)
Fixed Income – External High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.1	3.4%	10.8%	9.9%	9.3%	7.8%
<i>Fixed Income Policy Index</i>		3.8%	11.0%	8.7%	8.9%	7.4%
External High Yield	1.4	1.2%	11.2%	13.6%	-.-%	-.-%
Highland Capital Distressed Fund	0.3	2.7%	19.8%	25.8%	-.-%	-.-%
<i>Custom Benchmark</i>		2.4%	10.2%	14.8%	-.-%	-.-%
<i>Value Added</i>		0.3%	9.6%	-.-%	-.-%	-.-%
ING Ghent	0.3	-0.2%	6.3%	9.4%	-.-%	-.-%
<i>Custom Benchmark</i>		2.4%	10.2%	14.8%	-.-%	-.-%
<i>Value Added</i>		-2.6%	-3.9%	-5.4%	-.-%	-.-%
Nomura	0.4	0.8%	9.5%	13.7%	-.-%	-.-%
<i>Custom Benchmark</i>		2.4%	10.2%	14.8%	-.-%	-.-%
<i>Value Added</i>		-1.6%	-0.7%	-1.1%	-.-%	-.-%
PIMCO	0.4	1.3%	9.4%	13.4%	-.-%	-.-%
<i>Custom Benchmark</i>		2.4%	10.2%	14.8%	-.-%	-.-%
<i>Value Added</i>		-1.1%	-0.8%	-1.4%	-.-%	-.-%



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.1	3.4%	10.8%	9.9%	9.3%	7.8%
<i>Fixed Income Policy Index</i>		3.8%	11.0%	8.7%	8.9%	7.4%
International Fixed Income	5.4	-2.1%	8.4%	11.6%	8.2%	5.8%
Baring	1.0	-2.1%	6.8%	10.9%	8.2%	6.9%
<i>Custom Benchmark</i>		-2.6%	7.8%	11.0%	7.9%	4.8%
<i>Value Added</i>		0.5%	-1.0%	-0.1%	0.3%	2.1%
<i>Performance Objective</i>		-2.2%	9.3%	12.5%	9.4%	6.3%
<i>Value Added</i>		0.2%	-2.5%	-1.6%	-1.2%	0.6%
Bridgewater	1.3	-2.0%	8.9%	12.2%	-.-%	-.-%
<i>Custom Benchmark</i>		-2.6%	7.8%	11.0%	-.-%	-.-%
<i>Value Added</i>		0.6%	1.1%	1.2%	-.-%	-.-%
<i>Performance Objective</i>		-2.2%	9.3%	12.5%	-.-%	-.-%
<i>Value Added</i>		0.2%	-0.4%	-0.4%	-.-%	-.-%
Julius Baer	1.1	-2.2%	8.2%	11.5%	8.0%	6.1%
<i>Custom Benchmark</i>		-2.6%	7.8%	11.0%	7.9%	4.8%
<i>Value Added</i>		0.5%	0.4%	0.5%	0.0%	1.4%
<i>Performance Objective</i>		-2.2%	9.3%	12.5%	9.4%	6.3%
<i>Value Added</i>		0.1%	-1.1%	-1.0%	-1.5%	-0.1%
Rogge	1.3	-2.2%	9.0%	12.1%	-.-%	-.-%
<i>Custom Benchmark</i>		-2.6%	7.8%	11.0%	-.-%	-.-%
<i>Value Added</i>		0.4%	1.2%	1.1%	-.-%	-.-%
<i>Performance Objective</i>		-2.2%	9.3%	12.5%	-.-%	-.-%
<i>Value Added</i>		0.1%	-0.4%	-0.4%	-.-%	-.-%
Western	0.7	-1.9%	9.3%	12.0%	-.-%	-.-%
<i>Custom Benchmark</i>		-2.6%	7.8%	11.0%	-.-%	-.-%
<i>Value Added</i>		0.7%	1.5%	1.0%	-.-%	-.-%
<i>Performance Objective</i>		-2.2%	9.3%	12.5%	-.-%	-.-%
<i>Value Added</i>		0.3%	0.0%	-0.5%	-.-%	-.-%



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

Geewax Terker

- Underperformance versus benchmark and performance objective. Poor stock selection in Financials, Consumer Discretionary and Industrials explains much of 2Q05 underperformance.

Goldman Sachs

- Continued underperformance versus benchmark and performance objective. Concentrated portfolio (top ten holdings account for 48.5% of the portfolio) and growth bias have hindered performance.

JP Morgan

- Underperformance versus benchmark and performance objective. Performance hindered by poor stock selection during tenure. Outperformed benchmark during 2Q05.

Osprey Partners

- Underperformance versus benchmark and performance objective.
- Resigned CalPERS account during 2005.

Int'l Equity

Artisan

- Underperformance versus benchmark and performance objective. Concerns about performance may be due to rapid growth in product assets.

Baillie Gifford

- Underperformance versus benchmark and performance objective. Manager's quality growth style met a style headwind in prior years. One-year performance is very good, outperforming the benchmark by 5.2%.

Robeco

- Underperformance versus benchmark and performance objective.
- Organizational concerns due to changes in senior management.

Int'l Fixed Income

Baring Int'l

- Acquisition by Mass Mutual in 2005. No visible disruption to Baring's investment process.
- Has outperformed benchmark and performance objective over the ten-year period.



Manager Monitoring (continued)

External High Yield

ING Ghent

- Continued underperformance versus benchmark.
- Sector and issue selection have hurt performance.
- ING's business strategy with regard to its asset management business is unclear, in light of the Baring sale.

